FISCAL NOTE

SB 1716 - HB 1760

April 28, 1999

SUMMARY OF BILL: Allows retired state employees to continue participation in the health insurance available through the state plan after becoming eligible for Medicare. The bill also reduces the eligibility requirements a Group 1 member of the Tennessee Consolidated Retirement System(TCRS) must meet in order to draw service retirement benefits. In addition, the bill will increase the eligibility requirements a Group 2 TCRS member must meet in order to draw retirement benefits.

ESTIMATED FISCAL IMPACT:

Increase State Expenditures - $11,586,000
$42,997,500 Annual Amortized Cost

Increase Local Govt. Expenditures* - $14,060,000 Annual Amortized Cost
$27,590,000 Annual Amortized Cost / Permissive

Other Fiscal Impact - Increase Federal/Other Expenditures - $7,302,500 Annual Amortized Cost

Estimate assumes:

- increase in insurance costs for eligible retirees transferring to the state-sponsored PPO option.
- total lump sum pension liability of $796,200,000.
- annual amortized cost assumes a 20-year amortization of the lump sum liability.
- a 60%-40% ratio between state and local funding for k-12 teachers.

*Article II, Section 24 of the Tennessee Constitution provides that: *no law of general application shall impose increased expenditure requirements on cities or counties unless the General Assembly shall provide that the state share in the cost.*

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

James A. Davenport, Executive Director